



## NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

6 February 2024

### REPORT BY THE POLICE, FIRE AND CRIME COMMISSIONER (PFCC)

#### AND THE CHIEF FINANCE OFFICER

#### PFCC PROPOSED FIRE PRECEPT 2024/25

#### Purpose of the Report

1. To propose the 2024/25 Council Tax Precept for Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).
2. To provide information in respect of the revenue budget, capital programme, reserves and medium-term financial plan (MTFP) to provide context for the precept proposal.

#### Recommendation

3. The Police, Fire and Crime Panel is **RECOMMENDED** to endorse:

**The proposal to increase the 2024/25 Fire Precept by 2.99% per annum to £75.39 for Band D Council Tax (from £73.20 in 2023/24). This £2.19 annual increase equates to around 4 pence per week.**

4. Note the information presented in this report, including:
  - a. The statement of the Section 151, Chief Finance Officer as required by Section 25 of the Local Government Act 2003 regarding the robustness of the budget, the medium-term financial plan (MTFP) and the adequacy of financial reserves (Appendix C).
  - b. A 2.99% precept increase gives a total 2024/25 net budget envelope of **£31.434m**, taking into account:

- The intention of the PFCC to set the Band D Council Tax Precept which provides **£19.489m** for Northamptonshire Commissioner, Fire and Rescue Authority in 2024/25.
- The current and future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
- That any changes required, either by Government grant alterations notified through the final settlement, amended council tax base and surplus/deficit notifications received from the collecting authorities, after the precept has been set, may be balanced by efficiency savings or through a transfer to or from reserves.
- That when received, any variations from business rates notified by the unitary authorities will be balanced by the smoothing reserve.
- The current MTFP and the anticipated savings required.
- The capital programme and reserves strategy.

### **Executive Summary**

5. This report details the 2024/25 precept proposal for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) which was established on 1 January 2019.
6. The report and proposal are the culmination of several months' work by the Office of the Police, Fire and Crime Commissioner (OPFCC), the Joint Finance Team and Fire colleagues. It also includes information provided by the two unitary authorities and takes account of public and stakeholder consultation and key government expectations.
7. The Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) has considered the local government provisional settlement which set out government expectations, current and future funding levels, the pre-budget engagement and the outcome of the public survey together with the Autumn Statement 2023.
8. The PFCC and the S151 Officer are very appreciative of the updates provided by colleagues in the unitary authorities in respect of the impact on the taxbase and the council tax collection fund receipts for 2024/25 and future years. Furthermore, the PFCC is appreciative of the hard work by unitary staff in achieving a positive level of collection rates.
9. The proposals are set in a context of high inflation levels and the Autumn 2023 statement.
10. Despite these challenges, the budget is balanced for 2024/25 with a funded capital programme and an adequate level of reserves in place.

11. The budget includes the progress made in the service since the governance transfer of increased firefighters and investment in essential fire equipment and appliances, together with additional investments which include:
  - a. Transferring Fire onto joint shared HR and Payroll systems with the Police and realising the vision set out in the governance transfer business case.
  - b. Adding good-value capability by tapping into shared police resources for Culture, Data Security, Performance, Insight and Demand.
  - c. Baselining the piloted Youth Engagement Officer post.
  - d. Continuation of funding for enhanced home fire safety visits.
12. Whilst the 2024/25 budget is balanced, given the national cost of living challenges and inflation at levels significantly higher than previously assumed, balancing the budget across the medium term will be more challenging. Prudent assumptions of future income streams have been used which identify the need for future efficiencies.
13. The service had previously reviewed the findings of the Grenfell inquiry and investment requirements and priorities will continue to be considered as part of the capital programme and essential investment requirements.
14. The S151 officer has reviewed the adequacy and level of reserves following the work undertaken since the governance transfer and has concluded that at the current time, reserves are currently at an adequate level to manage risk. If future inflation levels and/or costs are higher than forecast and reserves are required, then there will be a need to rebuild them in the future.
15. The sum of £1m is ring-fenced in reserves to enable the Chief Fire Officer to facilitate future transformation and innovation.
16. Given the legacy of under-investment prior to 2019, the capital programme investment requirements are significant. With the current cost of borrowing, £300k to support the capital programme has been allocated annually to support funding the investment in the shorter life assets in the capital programme and minimise the impact of capital financing costs on the revenue budget.
17. In considering the Fire budget and proposed precept for 2024/25, the PFCC considered the national context and NCFRA's lower precept, core spending power and reserves position relative to other Fire and Rescue Authorities.
18. Furthermore, the PFCC has conducted, and been informed by, a survey of Northamptonshire residents, of whom 1,997 responded. The results of the surveys are summarised in this report and will be available on the PFCC website in due course.

19. The budget and precept recognise the importance of collaborative working with Police and the OPFCC, with enabling services support areas embedded across Fire and Policing under the leadership and direction of the Joint Assistant Chief Officer for Enabling Services.
20. The PFCC requires both services to actively seek opportunities to work together to deliver more efficient and effective public services and in 2024/25 it is intended that opportunities bring together further support services teams will be explored and progressed, and that existing shared arrangements are regularly reviewed and optimised.
21. The fire budget and precept also take forward the statutory duty for emergency services to collaborate which means the services should be actively seeking opportunities to work together to deliver more efficient and effective public services. As such, both Fire and Police Budget agreements for 2024/25 will again demonstrate the PFCC commitment to collaboration, including greater integration between police and fire and rescue to enable reinvestment in frontline services. It is the PFCC's expectation that, over time, the following areas will be delivered:
  - Shared Services
  - Shared estates strategy
  - Shared prevention approaches
  - Operational interoperability
  - Control rooms
22. As there is only a one year settlement and minimal indication of future funding for Fire and Rescue Authorities, the MTFP has been prepared on prudent funding assumptions and shows that even with a 2.99% precept increase there are financial challenges ahead in future years. The Chief Fire Officer will continue to work with the PFCC on plans to meet these shortfalls.
23. After careful consideration of the factors included within this report, the PFCC is very much aware of the financial impact on households in the current time. However, he is extremely grateful for the support Northamptonshire residents have demonstrated for these proposals.

**As such, given the current and future financial challenges and uncertainties, this requires the PFCC to propose a Fire precept increase of 2.99%/£2.19 (4 pence per week) for a Band D property.**

**This will enable Fire to have a sustainable base budget, maintain an adequate level of reserves and will go some way to maintain and safeguard Fire and Rescue Services in Northamptonshire.**

## National Context

24. Fire governance transferred to the Northamptonshire PFCC on the 1 January 2019. The PFCC is currently one of five in the country and is now one of only two to transfer governance from a county council. This follows the second County Council transfer of Cumbria in April 2023.
25. The Fire Governance Business Case was predicated on a three year financial stability plan to establish a sustainable revenue budget, develop an affordable capital programme and build reserves to an adequate and resilient level. Whilst COVID-19 impacted adversely on the financial environment facing the new Authority, these plans were achieved.
26. No additional funding or precept flexibility has been afforded to Northamptonshire or the other lowest funded Authorities which makes balancing budgets more challenging. As evidenced in the MTFP, there is still a need for some efficiencies over the medium term.
27. The PFCC has continued to lobby central government and has spoken to the Minister in person to voice his concerns.

## Provisional Local Government Finance Settlement

28. The provisional Local Government Finance Settlement was announced by the Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP in a written ministerial statement on 18 December 2023. The announcement set out provisional allocations for 2024/25.
29. The provisional settlement publication marked the start of a four-week consultation which closed on 15 January 2024. At the time of writing, the date of the final settlement is unknown.
30. In early December, civil servants from the Department of Levelling Up Housing and Communities (DLUHC) shared a “policy statement” which contained some indications of the provisional local government funding settlement, but not enough information was included to provide us with a provisional settlement figure.
31. The national Technical Support Team undertook an analysis of the day’s main announcements and provided an ‘on the day’ briefing including the following:
  - a. *Fire and Rescue Authorities’ precept flexibility remains at 3%.*
  - b. *On average Core Spending Power [across all local government] is increasing by 6.5% (almost £4bn), for FRAs (second table below) the change is 4.6%, £85m. The increase in CSP has come from £1.825bn of additional grant and £2.078bn in additional council tax (assuming all LAs levy the maximum precept allowed). Standalone FRAs see smallest Core Spending Power increase of all classes – 4.6%. This is due to the roll in of the Fire Pensions Grant which is flat cash for 2024-25, lower council tax flexibilities and a focus on social care.*

- c. *3% Funding Guarantee continues in 2024-25 - ensures councils get at least 3% increase in CSP, before council tax or decisions on use of reserves. 31 out of the 44 FRAs hit the Funding Guarantee threshold for 2024-25. This includes NCFRA at £0.231m.*
  - d. *Fire and Rescue Pensions Grant (£115m) now included within Core Spending Power. This was £1.186m for NCFRA.*
  - e. *Last year's Services Grant was described as "one off" but is continuing in today's announcement. In 2022-23 the Services Grant was £822m and in 2023-24 it was £483m. Today's 2024-25 provisional settlement announcement indicates the grant is falling further to just £77m – a reduction of £406m. The impact on NCFRA is a fall from £0.210m in 2023/24 to £0.034m in 2024/25.*
32. Northamptonshire have responded to the provisional settlement consultation, welcoming the settlement, but highlighting the lack of precept flexibility and requesting consideration of a capital grant, longer term financial settlements, consideration of the population demographic profile affecting FRAs and recognition of future inflation in future settlements.
33. A summary of the provisional settlement for Fire in the table demonstrates that funding has increased £1.876m (6.3%) from 2023/24.
34. The 2024/25 budget will be around £8.8m more than the budget transferred as part of the governance arrangements. This equates to a revenue budget increase of over 39% since 2018/19. Whilst future savings are still required, the NCFRA revenue budget and the service are on a much more resilient footing.

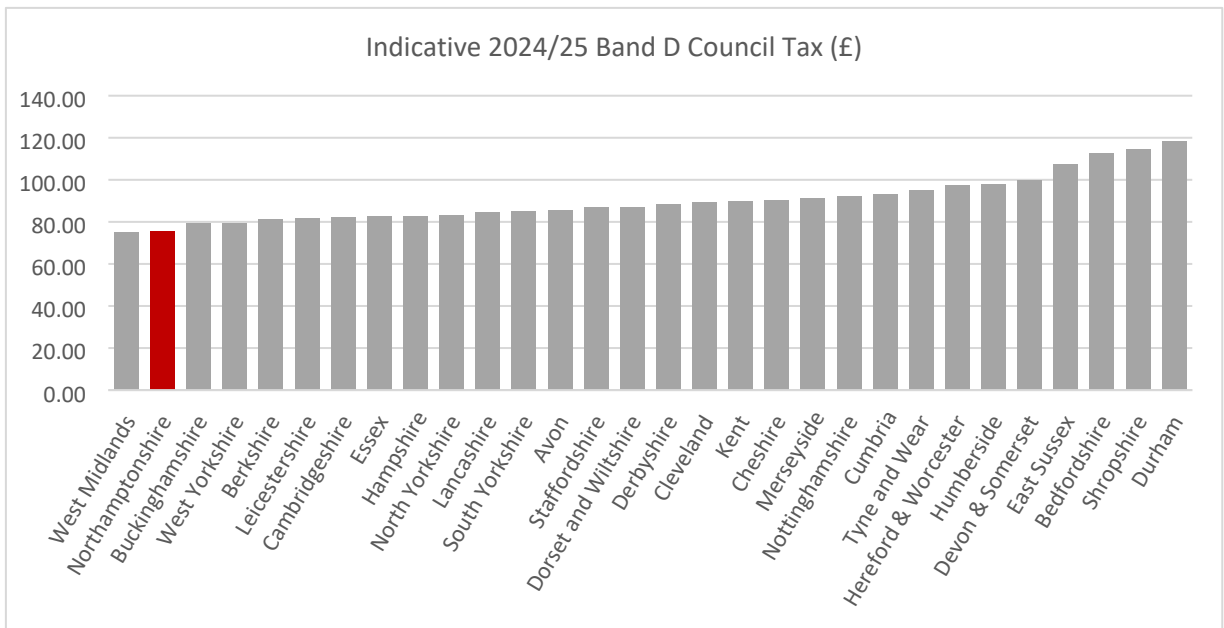
<b>2023/24 £m</b>	<b>Funding</b>	<b>2024/25 £m</b>
2.587	Revenue Support Grant	3.944
1.186	Pensions Grant	-
2.563	Top Up Grant	2.665
0.210	Services Grant	0.034
-	Funding Guarantee	0.231
0.954	S31 Grant	1.089
3.039	Business Rates	3.686
<b>10.539</b>	<b>Total Grant Funding</b>	<b>11.649</b>
18.764	Precept	19.489
0.255	Collection Fund Surplus	0.296
<b>19.019</b>	<b>Total Precept and Collection Fund</b>	<b>19.785</b>
<b>29.558</b>	<b>TOTAL FUNDING</b>	<b>31.434</b>

NB: Estimated Business Rates – At the time of writing, statutory deadlines are not yet due.

35. A review of other Fire and Rescue Authorities has highlighted the following:

**Comparative Council Tax Levels**

36. If all take up the precept flexibility, Band D Council Tax levels for Fire and Rescue Authorities will range between £75.20 in the West Midlands and £118.12 in Durham, with an average of £90.32 per standalone Band D property (as compared to £87.66 in 2023/24).

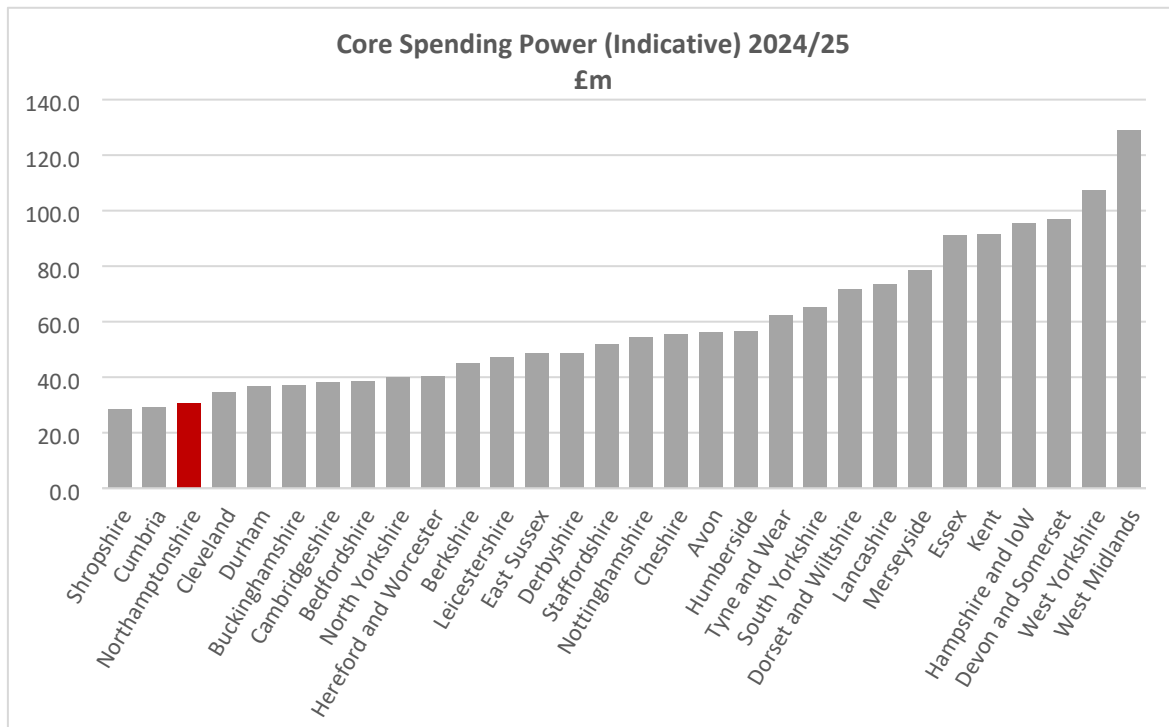


37. At £75.39 Northamptonshire will still be the second lowest Fire preceptor in 2024/25 and will be 17% below the average precept in England and Wales. This is the same as the 2023/24 position.

**Comparative Core Spending Power**

38. Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement. It includes central settlements as well as business rates and assumed council tax receipts at DLUHC estimated levels.

39. According to the CSP projections, Northamptonshire has the third lowest core spending power of all standalone authorities. The authorities with the lowest and second lowest CSP are Shropshire and Cumbria.



40. It is important to note that the CSP figures includes estimated, rather than the actual taxbases for authorities and does not include collection fund surplus or deficits.

### Comparative Level of Reserves

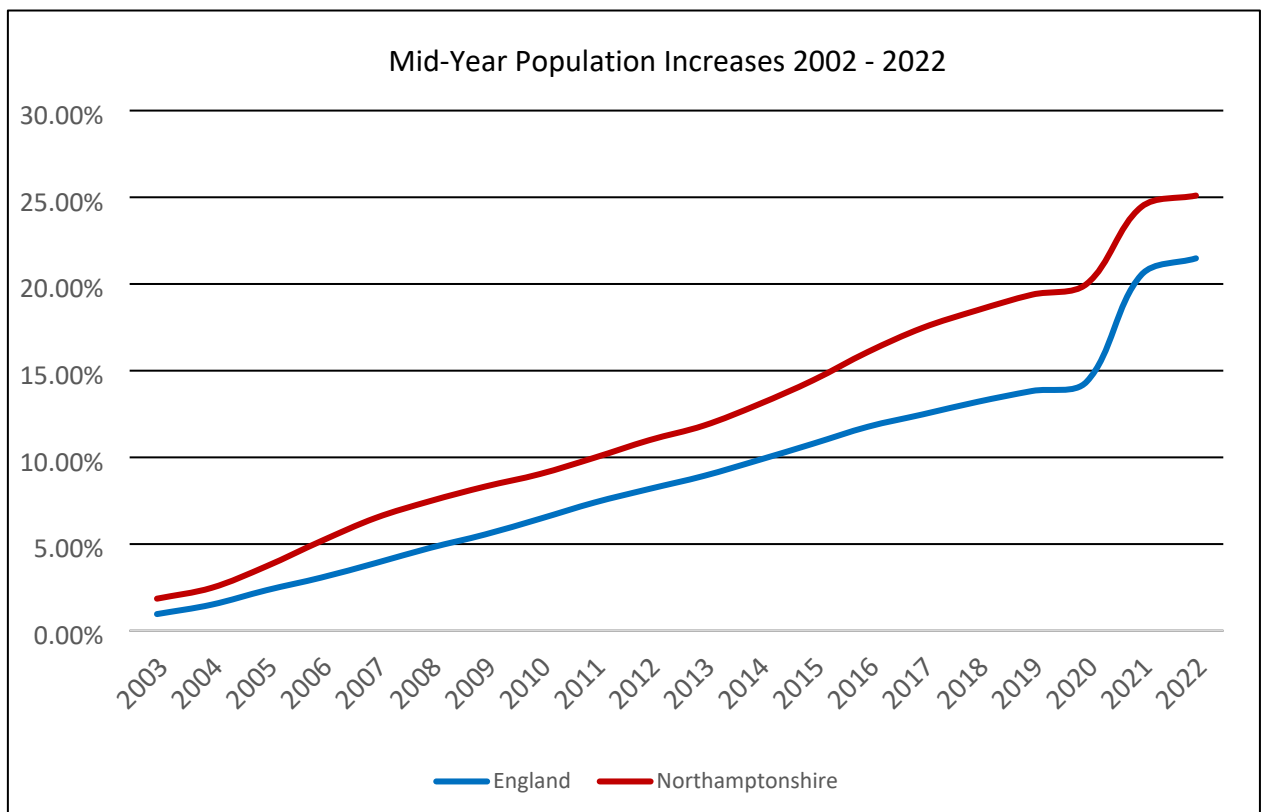
41. The Home Office analysis of the reserve levels for Fire and Rescue Authorities as at 31/3/2021 (based on the audited accounts for 2020/21) is set out below and highlights that total revenue and capital reserves ranged from £5.4m in Northamptonshire to £49.8m in Kent. This data is yet to be formally refreshed.
42. Whilst there is still the desire to increase resilience in reserves further, the PFCC has been able to build them to a currently sufficient level in line with the three year plan as set out at the time of the governance transfer.

### Funding Formula and Population

43. Fire funding for revenue support and service grants is provided to the Home Office from DLUHC and is allocated via a national formula as part of the local authority funding settlements.
44. The current formula was updated in 2013/14 and is based on population and subject to a series of adjustments to allocate funding by both risk of incidents and the costs associated with providing fire service cover. Fire revenue support and services grants are allocated under this formula which accounts for just under 10% of total Fire funding in Northamptonshire.



45. A Fair Funding review has been discussed by the Ministry, Housing, Communities and Local Government (MHCLG) and more recently DLUHC for some years, however, in the DLUHC Policy statement issued prior to the provisional local settlement, the government advised that *“The review of Relative Needs and Resources (Fair Funding Review) and a reset of Business Rates growth would not be implemented in 2023/24 or 2024/25.”*
46. In 2002, Northamptonshire’s population growth was around 0.5% more than the national average. By mid-2022, the gap between the county and the national average had increased to 3.62%, with large housing development projects in progress.
47. The graph below demonstrates this population increase for the period 2002 to 2022.



48. Northamptonshire has outstripped national population changes for some decades, as outlined in the Joint Strategic Needs Assessment (JSNA) Demography Insight Pack 2019, Northamptonshire’s population has increased by 29.9% over the 30 years, compared with 17.7% across England. It also estimated this will increase by a further 14% by 2041.
49. This means that around 10% of Northamptonshire Fire’s funding is allocated on the basis of a funding formula which has not been updated for many years and therefore, does not reflect current demands or risk and does not reflect the significant growth in the county.
50. Therefore, with a higher increase in population in Northamptonshire compared to national levels, and in particular the aging population, the current formula does not reflect these

challenges faced in the county. The PFCC and the Chief Fire Officer will continue to seek a fairer national settlement for Northamptonshire Fire & Rescue.

### Council Taxbase and Council Tax Precept Income

51. The Council Tax and the level of precept is a fundamental part of the local government finance settlement and depends on both the level of the Band D precept and the taxbase – the latter being the number of properties required to pay council tax.
52. In Fire, the precept and the surplus on the collection fund accounts for around 63% of funding, so any variations can have a significant impact.
53. Both unitary councils have advised the PFCC of their proposed taxbases for 2024/25.
54. A comparison of the 2023/24 and 2024/25 figures reflects an average 0.85% taxbase increase (compared to 1.46% in 2023/24) as follows:

Authority	2023/24 (number)	2024/25 (number)	Increase (number)	Increase %
North	114,279.00	115,847.00	1,568.00	1.37%
West	142,060.80	142,664.60	603.80	0.43%
<b>TOTAL</b>	<b>256,339.80</b>	<b>258,511.60</b>	<b>2,171.80</b>	<b>0.85%</b>

55. The Medium Term Financial Plan (MTFP) assumes average but prudent increases in the taxbase and the S151 officers will continue to link in with West Northamptonshire and North Northamptonshire S151 colleagues to ensure future forecasts align.
56. The total precept funding is a combination of the taxbase increase and the precept increase as follows:

2023/24 £		2024/25 £
	<u>Tax base changes:</u>	
84,022	- North	114,778
167,551	- West	44,198
<b>251,573</b>		<b>158,976</b>
	<u>Precept Increase</u>	
571,395	- North	253,705
710,304	- West	312,435
<b>1,281,699</b>		<b>566,140</b>
<b>1,533,272</b>	<b>Total Precept Change</b>	<b>725,116</b>

64. The 2024/25 proposed precept increase of 2.99%, together with the increased taxbase will generate an additional £0.725m on the base budget.

### Council Tax Collection Fund

57. Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the Collection Fund in January of each year.
58. The PFCC is very appreciative of the hard work undertaken by the North and West Northamptonshire Unitary Authorities in ensuring high collection rates and in providing the information to enable their inclusion in his budget and precept considerations.
59. In previous years, despite high collection rates within Northamptonshire, COVID-19 impacted on these levels which resulted in deficits in both 2021/22 and 2022/23. Some government support was provided which included grants and enabling the deficit to be spread across three financial years. These measures helped to mitigate the impact and then in 2023/24, the collection funds provided a surplus.
60. The Unitary Authorities have advised the PFCC of their estimated collection fund positions for 2024/25 for Police which have resulted in surpluses from both authorities.

<b>2023/24 £m</b>		<b>2024/25 £m</b>
0.082	- North	0.084
0.173	- West	0.230
<b>0.255</b>	<b>Collection Fund Surplus</b>	<b>0.315</b>

61. Due to statutory timescales, notification of the final collection fund surplus figures is received after the draft budgets are finalised. If this surplus results in a one-year benefit, it will be transferred to reserves in order to replenish some of the one-off use of reserves planned as part of the agreed balanced budget.
62. The S151 Officer will work closely with the Unitary Authorities throughout the year to monitor and understand any impact on the collection fund position for 2024/25 and future years.

### Public Consultation on the Level of the Precept

63. Each year following the provisional settlement, the PFCC undertakes a precept consultation with residents of Northamptonshire to gather their views which help to inform his precept intentions.
64. The PFCC is very mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. As such, for 2024/25, and ahead of his precept consultation

in December 2023, the PFCC and officers undertook pre-budget engagement to inform his considerations. Of note are the following:

- a. The PFCC, Chief Fire Officer and Chief Constable attended a meeting with Northamptonshire MPs and briefed them on the current financial position for Police and Fire and outlined the current financial context for both services.
  - b. The PFCC and the Chief Finance Officer attended local meetings with representative groups to have conversations around the current financial position and hear their thoughts on the levels of precept, budget challenges and services. The PFCC found these conversations and discussions invaluable, and the office is now on the circulation list for many of these meetings.
65. For this year's precept, over the period 5<sup>th</sup> December 2023 to 16<sup>th</sup> January 2024, the PFCC undertook an online survey which was carried out with the intention of reaching as many people as possible to obtain the views of a demographically representative group of the county's population.
  66. The survey was sent out to a wide range of contacts and using many different approaches. Appendix A sets out the consultation on the precept further.
  67. This wide reach is set within the challenges of the limited timescale of the government funding settlement, the current cost of living climate and the fact that it was held over the festive season.
  68. The online survey was targeted specifically in relation to the precept and to understand confidence in policing and fire and rescue services within Northamptonshire. It was communicated to as many stakeholders as possible, to enable any resident to share their views on the level of the precept.
  69. Interim reviews were taken on the survey to assess the reach and where appropriate, additional communications were made to key areas of the county to ensure those who wished to contribute to the survey were able to do so.
  70. Furthermore, two in-person budget and precept meetings were held in January with key stakeholders, with one taking place after the provisional settlement when more information was available. The meetings took place as follows:
    - a. A Councillor Budget and Precept meeting was held on the 16<sup>th</sup> January 2024. All 318 local Councillors and representatives were invited. 32 Councillors attended and received a high-level briefing on the provisional funding settlement for both Fire and Policing. The PFCC is grateful to those who attended the meeting and found their engagement extremely useful.

- b. The PFCC held a Police Fire and Crime Panel workshop on the 26<sup>th</sup> January regarding the budget and precept considerations for 2024/25, which was attended by five representatives. The annual workshops commenced in January 2021 and the PFCC has again found this approach and member input invaluable. The PFCC is grateful to all Panel members who attended, and subject to the views of the Panel will continue to offer the budget workshop as an annual event.
71. The precept online consultation has formed part of a wider public consultation, conducted across all areas of Northamptonshire to understand how people feel about policing and fire and rescue services in the county. Qualitative, face-to-face consultation is being undertaken with communities across Northamptonshire to capture views and feedback with regards to Northamptonshire Fire and Rescue Services in relation to community safety and increasing partnership working.
72. As part of this qualitative consultation, two 'reflector sessions' are being carried out with stakeholders representing support organisations, commissioned services and individuals and groups within the wider community safety partnerships.
73. The PFCC would like to give particular appreciation to the commitment and engagement of the Chair and members of the Police, Fire and Crime Panel, local Councillors, MPs, forum members and teams within the unitary authorities as he recognises they have been contacted multiple times during the survey period and asked to disseminate the survey amongst their local residents and contacts.
74. The online survey received 1,997 responses, of which 1,870 completed it for Fire. This is classed as a statistically relevant sample size for the County based on a 95% level of confidence.
75. The PFCC has considered the results of the online survey which were:
- **57.8% of residents were prepared to pay £5 or more if they were able to for Fire services.**
  - 36.3% were not prepared to pay any more than they do now.
  - 5.9% said they did not know.
76. Respondents were also given the opportunity to comment on how good a job the Police and the Fire and Rescue Service did. For Fire, 1,863 residents replied:
- **58.9% of residents thought Fire were doing a good or excellent job.**
  - 17.8% of residents thought they were doing a fair job.
  - 4.5% of residents thought they were doing a poor or very poor job.
  - 18.9% did not know.

77. The PFCC will consider the narrative comments in the survey as part of the wider Precept and Confidence Consultation findings which will be published on the PFCC website in due course.

### **The Financial Challenge – Future Risks, Challenges and Uncertainties**

78. The impact of a different inflation assumptions to that estimated in the MTFP are as follows:

- Every 1% reduction in grant equates to circa £0.116m per annum
- Every 1% in Council Tax (£0.75) equates to circa £0.198m per annum
- Every £1 in Council Tax equates to £0.259m per annum
- Every 1% in Pay equates to circa £0.3m in a full year
- Every 1% non-pay inflation equates to £0.1m per annum

79. Prudent forecasts have been included where information which has not yet been finalised. Any variations between the provisional and final police settlement, council tax or the collection fund will be balanced with reserves.

80. Each year since the governance transfer, a better understanding has been developed in respect of the operational and budgetary pressures facing NCFRA. Many of these pressures required investment to ensure resources, premises and equipment are at an appropriate level.

81. These challenges, where known, are built into the revenue budget and capital programmes to enable Fire to have a base budget which reflects its business requirements and takes account of current and future demands and opportunities.

82. Pressures have been significant and in preparation of the budget, a number of risks have been considered:

- a. Inflation uncertainty including pay awards. Mindful of this, the PFCC has set aside an inflation contingency for the Chief Fire Officer and holds a further £120k to meet other inflationary pressures.
- b. In 2024/25 Fire will be moving on to the Joint Payroll and HR systems and the first year costs of these arrangements reflect the costs of moving from existing to new systems.
- c. Strategies for: estates, fleet, digital and operational equipment are in place which inform the capital programme and revenue budgets. The Estates Strategy is currently being reviewed to develop a new masterplan and once updated will inform future capital programme and MTFP updates.
- d. Condition surveys for the Fire estate have also informed the production of maintenance and repair programmes for all Fire sites and these works are now underway.

- e. Ensuring all relevant factors are considered when making decisions and supporting procurement processes to ensure that they are informed and evidenced based. The Joint Commercial Team, working across Fire and Police have brought high levels of diligence and continue to refine processes to ensure efficient procurement and best value.
  - f. Existing and new joint support services with Police and managed by a Joint Assistant Chief Officer have continued to be embedded within the service to ensure that the Authority has the right range and resilience of skills and expertise to build capacity and support transformative as well as business as usual activities.
83. Any potential for industrial action requires contingency arrangements which have previously been managed within year or from reserves. That position remains and any alternative options will be costed, and funding set aside from within the General Reserve.

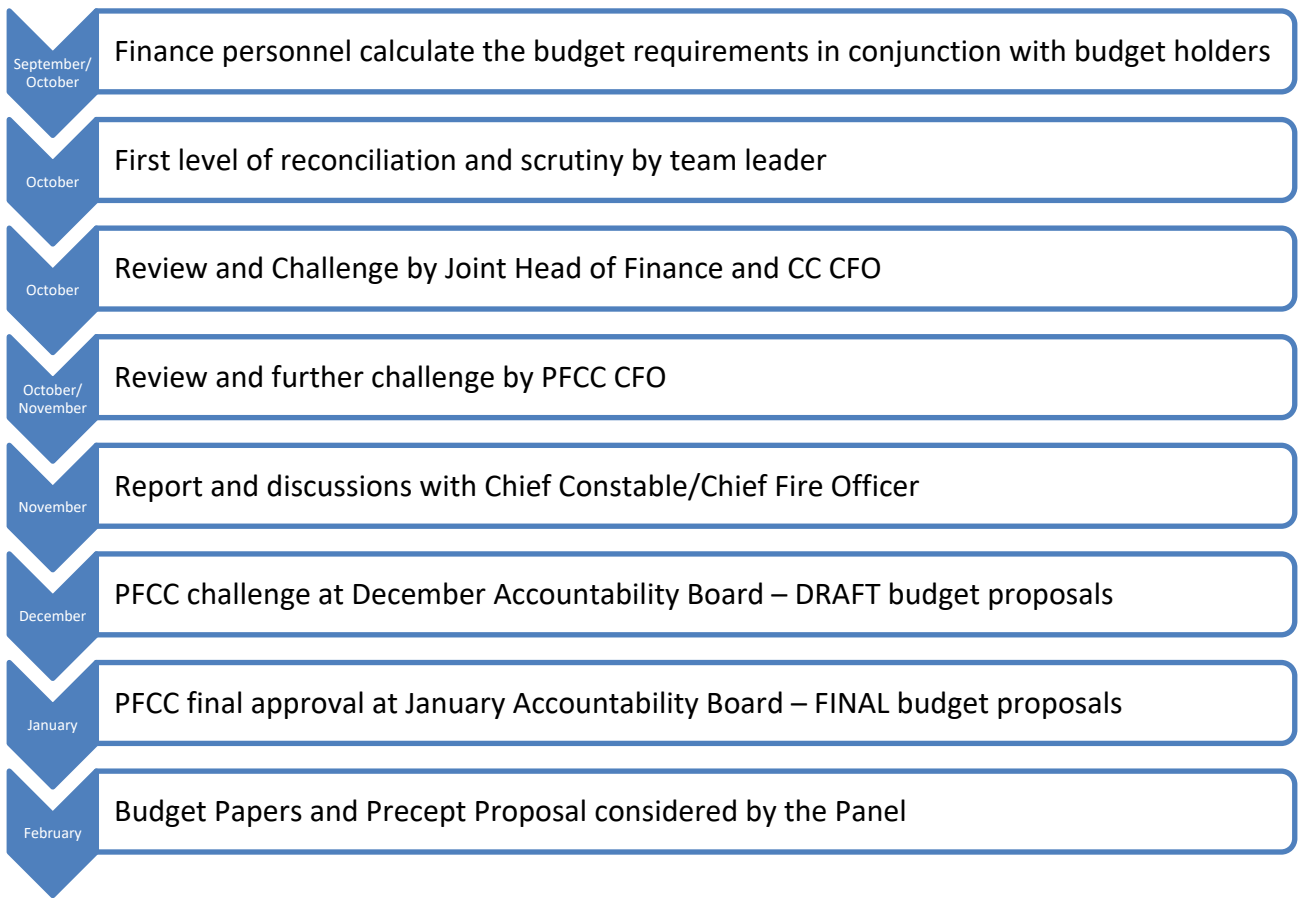
#### **Other Financial Risks and Uncertainties - Pensions**

84. The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age. In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

#### **2024/25 – Base Budget preparation, approach and scrutiny**

85. The budget is the fourth budget prepared under the Joint Finance Team using an approach which provides consistency across both Fire and Police. This has enabled comparability of assumptions and principles, together with best practice, resilience and a more efficient process applied to budgeting for all services.
86. The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police, Fire and Crime Plan and tested against the MTFP.
87. The zero-based approach ensures that efficiencies are taken from this process where possible that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared, and the format of the budget models are consistent and contain built in checks and balances to ensure the correct information is fed through. This approach also enables resilience within the finance team.
88. Following the preparation of the budget strategy and approach in September, briefing sessions took place with all budget holders and the strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.

89. The table below sets out the preparation and scrutiny elements of the budgeting process:



90. This process has resulted in the PFCC setting the following budget for NCFRA:



<b>2023/24 £m</b>	<b>Budget Breakdown</b>	<b>2024/25 £m</b>
17.052	Fire Fighters	18.484
2.900	Staff	3.068
1.077	Other Employee Expenses & Contingencies	1.472
5.490	Other Costs	6.399
(1.016)	Income	(1.204)
3.484	Governance/Support Services	3.920
<b>28.987</b>	<b>OPERATIONAL BUDGET</b>	<b>32.139</b>
0.444	Capital Financing	0.618
0.120	Inflation Contingency	0.120
0.525	Transfer to Reserves	0.119
(0.518)	Transfer from Reserves	(0.184)
<b>0.571</b>	<b>BUDGETS MANAGED BY THE PFCC</b>	<b>0.673</b>
-	New investment proposals	0.126
-	Efficiencies agreed	(1.155)
-	Efficiencies to be identified	(0.329)
<b>29.558</b>	<b>TOTAL BUDGET</b>	<b>31.454</b>

91. A detailed breakdown is set out in Appendix B. Key Headlines are as follows:

- The firefighter budget reflects the planned retirement and recruitment profile.
- Staff posts include roles such as Home Safety Advisers, Prevention, Protection, Control and some support staff. Four additional Home Fire Safety Officers are still included into the budget.
- Other employee costs include the pay contingency, staff training, occupational health.
- Other non-pay budgets are based on a zero-based budget review which reflects inflationary increases and include estates, ICT, fleet, equipment and clothing.
- Interest income has been reviewed to reflect current interest rates.
- Governance and support reflect the final part years costs of support services provided by West Northamptonshire which are being transferred in house during 2024/25.
- Reserves transfers reflect agreed one off drawdowns and contributions to capital, operational equipment and smoothing reserves.

## **Harmonisation and Efficiencies**

92. Both Fire and Police Budget agreements for 2024/25 will continue to demonstrate the PFCC commitment to collaboration, particularly highlighted in greater integration between police and fire and rescue to enable reinvestment in frontline services. The Joint Estates Strategy across Police and Fire will drive efficiencies for both services by sharing buildings where it makes sense to do so.
93. The shared support teams are continuing to identify efficiencies from through robust procurement and economies of scale.
94. A shared post leads on ensuring that police and fire requirements are considered and recognised in new building developments, working with partners and the local authorities to ensure police and fire are fairly included in S106 considerations.

## **Medium Term Financial Plan (MTFP)**

95. The current MTFP covers a five-year period and is included in more detail at Appendix B.
96. The impact of high inflation during 2022/23 affected the costs in the MTFP at this point last year and we continue to use prudent forecasts with no guarantee of future funding to meet those increases.
97. Whilst the MTFP does include efficiency savings per annum over years 2025/26 and 2026/27, these will not be sufficient to meet the shortfalls identified. Efficiencies will continue to be sought from sharing buildings, driving efficiencies from robust and shared procurement practices and sharing of staff and services where it makes sense to do so. The Chief Fire Officer will also consider this as part of the operational review.
98. Despite future shortfalls forecast in the MTFP, in the unlikely event that further efficiencies could not be found, the budget can be balanced in the short term by the use of reserves. However, the use of reserves is not a permanent solution, and the PFCC and Chief Constable will continue to seek efficiencies to ensure the budgets are balanced.
99. It is assumed that no additional unfunded priorities or responsibilities will be given to the PFCC and Chief Fire Officer to deliver.
100. The MTFP is attached at Appendix B and summarised as follows:

<b>2023/24</b> <b>£m</b>		<b>2024/25</b> <b>£m</b>	<b>2025/26</b> <b>£m</b>	<b>2026/27</b> <b>£m</b>	<b>2027/28</b> <b>£m</b>	<b>2028/29</b> <b>£m</b>
29.558	Expenditure	32.938	34.223	35.464	36.512	37.419
-	- Efficiencies agreed	(1.155)	(0.866)	(0.888)	(0.935)	(0.951)
-	- Efficiencies to be identified	(0.329)	(0.665)	(0.665)	(0.665)	(0.665)
<b>29.558</b>		<b>31.454</b>	<b>32.692</b>	<b>33.911</b>	<b>34.912</b>	<b>35.803</b>
(29.558)	Funding	(31.454)	(32.023)	(32.875)	(33.754)	(34.661)
-	<b>Shortfall</b>	<b>0.000</b>	<b>0.669</b>	<b>1.036</b>	<b>1.158</b>	<b>1.142</b>

101. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:

- a. Precept will increase by £2.19 (2.99%) in 2024/25 and 1.99% each year thereafter. No information is yet available about referendum limits beyond 2024/25.
- b. Prudent funding assumptions have been made in respect of government funding, business rates, taxbase levels and council tax deficits (source: professional assumptions).
- c. Prudent pay increase estimates are assumed at an average of 2% (3% in 24/25), supported by appropriate inflation contingencies (source: National professional assumptions).
- d. Investment requirements can be prioritised and met from within the revenue budget or capital programme.
- e. Further borrowing beyond the capital programme is not required.

102. As set out earlier in the report, the MTFP also models a potential impact of increased pension contributions and if some grant funding were provided.

### **Capital Programme**

103. The capital programme is now an integral part of Fire's operational and financial plans and organisational awareness. Governance arrangements are in place to ensure that appropriate scrutiny and challenge of investment proposals takes place, and that the affordability and deliverability of them is fully considered.

104. The approved capital programme is as follows:

<b>Programme</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Estates	3.2	3.0	3.0	3.0	1.1
ICT	0.6	0.6	0.4	0.4	0.7
Vehicles & Operational Equipment	2.5	1.1	1.3	0.8	0.7
<b>TOTAL</b>	<b>6.2</b>	<b>4.7</b>	<b>4.7</b>	<b>4.2</b>	<b>2.5</b>

105. Estates costs include essential condition survey refurbishments and ensuring appropriate welfare facilities in Fire buildings. The PFCC is currently reviewing the latest estates masterplan. Whilst formal decisions are yet to be made, the latest iterations have been considered by the Chief Fire Officer and Chief Constable. The above capital programme includes an amount for potential capital investment in estate and will be updated with more accurate projections when the masterplan has been formally approved by the PFCC with advice from the S151 and Monitoring Officer.
106. Since the governance transfer, good progress has been made on the legacy capital programme requirements and has seen us replace fire tenders, purchase a new aerial appliance and replace some essential operational equipment and ICT systems. This work continues.
107. Costs are often occurred ahead of any efficiencies or disposals, therefore, the PFCC will continue to push to ensure that any disposals included in the plans are made in a timely an efficient manner to ensure the full benefits can be realised.
108. The Commissioner is required to approve a 'Treasury Management Strategy' each year, setting out the detail of his policy and approach to managing investments, borrowing and cash management.
109. This is required by the Prudential Code and the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensures, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
110. The Treasury Management Strategy will be considered by the PFCC alongside an updated capital strategy. The Joint Independent Audit Committee (JIAC) will consider this key document at their March meeting prior to being placed on the OPFCC website.

### **Use of Reserves**

111. In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves held by the PFCC to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget.

112. NCFRA transferred on the 1<sup>st</sup> January 2019 with no reserves and set in place a three year financial stability plan to build reserves and made good progress in doing so. By 2022/23 they had exceeded the minimum level of general reserves as set out in the financial plans forecast at the time of the governance transfer.
113. The Reserves Strategy attached at Appendix D and sets out the types and planned use of reserves across the MTFP.
114. Two types of reserve are held, as follows:

#### **General reserve**

115. General reserves are above the minimum level and are stabilised at a level of £2m or 5% (whichever is the higher). This level reflects both the current uncertain environment, the historic volatility of the Fire revenue budget and the minimal levels of earmarked reserves held to meet other purposes. It is the view of the S151 Officer that general reserves are adequate but not excessive.

#### **Earmarked reserves**

116. As at 31<sup>st</sup> March 2024, the balance on the earmarked capital reserves amount to £0.9m and revenue reserves at £2.3m.
117. NCFRA has made good progress in establishing reserves and it is the view of the S151 officer that whilst general reserves are now at an adequate level, it is prudent to increase earmarked reserves where appropriate for additional resilience. This will assist in smoothing potential funding impacts and to support the funding of equipment and transformation activities.

#### **Robustness of the Budget – Statement of the S151 Chief Finance Officer**

118. Section 25 of the Local Government Act 2003, places a duty on the S151 to make a report to the authority on:
- a. The robustness of the estimates included within the budget.
  - b. The adequacy of the reserves and balances.
119. The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.
120. In their considerations, the S151 Officer is mindful of other associated statutory safeguards designed to support the authority:
- a. Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the Chief Financial Officer has personal responsibility for such administration.

- b. Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget.
  - c. The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates.
  - d. The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money')
121. To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report in consultation with the Monitoring Officer if there is or is likely to be unlawful expenditure or an unbalanced budget.
122. This report has set out the detailed budget setting process that has taken place and the work undertaken to ensure the budget is as realistic, deliverable and achievable as possible.
123. The Fire Joint Head of Finance has worked closely with the Fire Executive team, budget holders and the finance team to deliver the draft budget and savings plan, ensuring that effective scrutiny and challenge has taken place throughout. The S151 Officer has worked closely with the Joint Head of Finance and the PFCC has undertaken scrutiny and strategic review of the proposals on two occasions and has been updated regularly throughout the budget cycle as appropriate.
124. The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.
125. The Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Fire and Rescue Authority is included at Appendix C.

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**EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

The budget and proposed precept provide the resources for the delivery of the Police, Fire and Crime Plan. Additionally, the survey is comprised of a representative sample of Northamptonshire residents.

**HUMAN RESOURCES IMPLICATIONS**

None

**ENVIRONMENTAL IMPLICATIONS**

None

**RISK MANAGEMENT IMPLICATIONS**

Risks and mitigations have been highlighted in the report.

**LEGAL IMPLICATIONS**

The PFCC is required to notify a precept to the billing authorities by the 1<sup>st</sup> March each year. In doing so, he must set a realistic revenue budget, informed by the report of the Chief Finance Officer

**List of Appendices**

Appendix A - Consultation on the Precept

Appendix B - Medium Term Financial Plan

Appendix C - Section 25 Report of the Section 151 Chief Finance Officer

Appendix D - Reserves Strategy

**Persons to Contact**

Mr V Ashcroft, Chief Finance Officer,

**Office of the Police, Fire and Crime Commissioner**

**Northamptonshire Commissioner Fire and Rescue Authority**

## **Appendix A**

### **Survey on the Precept**

#### **Context**

Embarking on the 2024/25 precept survey at the end of 2023, at a time when increased financial challenges are being faced by people across the country, has required a significant amount of input from a communications perspective.

An online survey launched on 5<sup>th</sup> December 2023 asking questions relating to the precept and to understand confidence in policing and fire and rescue services within Northamptonshire. It was communicated widely to stakeholders across the county with a request to share, to ensure a demographically representative group of the county's population was reached.

Due to the statutory timeframes, there was no option but to run the survey over the Christmas period. We wanted to ensure that the public had sufficient time and numerous opportunities to see and complete the survey, so a decision was taken to launch the campaign prior to the Government releasing their financial settlement and proposed council tax levels.

The survey was open for eight days longer than last year, closing on 16<sup>th</sup> January 2024. It received a total of 1,997 responses, which is an increase of 15% from the 2022/2023 survey and more completions than ever before. We benchmarked our survey with other PCC/PFCCs and found that completion rates were broadly falling, and public engagement was a communication challenge experienced right across the country.

To help encourage engagement, it was imperative to have a strong narrative and rationale to explain the difficult decision the PFCC must make in asking for additional funds to continue with the investments being made in both Police and Fire and ensure that the priorities of both services can be delivered.

#### **Communications Activity**

Five main communications channels were used to raise awareness of the survey, seek public views and encourage people to take part. These were:

- Mainstream media
- Partners and stakeholders
- Digital and social
- Paid-for social media advertising
- Internal communications for OPFCC, Police and Fire

We contacted our extensive stakeholder database to reach local councillors at all levels, local authority partners, businesses, community and charity groups, various panels and volunteers as well as different policing divisions and police liaison officers.



Leaflets outlining the PFCCs priorities were created with a bespoke QR code directing people to the online survey. These were distributed across the county via community engagement teams, colleagues and partners. We also provided all our public-facing Police Stations with leaflets so officers could encourage visitors to complete the survey.

By monitoring response rates daily, we were able to target further communications to specific areas where completion rates were particularly low. These areas were sent reminders via Northamptonshire Talking (formerly Neighbourhood Alert) and via parish or town councillors and the relevant police liaison officer.

Social media was used to remind followers to take part in the survey and share key information about the PFCC priorities, the context for an increase of funding and the closing date.

We used the Nextdoor channel which has an estimated reach of 90,000 county residents and is a popular alternative to Facebook, for the first time. More than 10% of our total responses came from this channel.

We carried out pre-budget engagement with the county’s MPs so that they could understand the financial position and advocate for Northamptonshire Police and Northamptonshire Fire and Rescue Service both at Westminster and in their constituencies.

Audience	Reach
<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Northamptonshire Talking (formerly known as Neighbourhood Alert)</li> <li>• Parish Councils and Town Councils</li> <li>• Councillors in North Northamptonshire and West Northamptonshire</li> <li>• Police, Fire and Crime Panel members</li> <li>• MPs</li> <li>• Chief Executives and Leaders of Local Authorities</li> <li>• Neighbourhood Watch Management Committee</li> <li>• Community Safety Managers for Northamptonshire North and Northamptonshire West</li> <li>• Diversity Forums of West Northamptonshire Council</li> <li>• Northamptonshire Police Community Engagement team</li> </ul>	<p>The survey was sent to more than 25,000 stakeholders, with a request that they further cascade.</p> <p>A message on Northamptonshire Talking was sent to residents across the county, while further targeted communications were sent to the following areas where a lower response rate had been identified: Corby, Wellingborough and Daventry.</p> <p>More than 38,000 people opened the email we sent via this channel.</p>

<ul style="list-style-type: none"> <li>• Independent Advisory Group members</li> <li>• Independent Custody Visitors</li> <li>• Businesses via the Chamber of Commerce, Northampton BID and the Northamptonshire Business Forums</li> <li>• Secondary Schools and colleges</li> <li>• Joint Action Groups</li> <li>• Northamptonshire Association of Local Councils</li> <li>• Various voluntary and third sector organisations</li> <li>• Rural interest groups</li> <li>• The Police Liaison Representatives on every parish and town council</li> <li>• All local criminal justice boards</li> </ul>	
<p><b>Internal</b></p> <ul style="list-style-type: none"> <li>• News item on Forcenet – The Northamptonshire Police intranet viewed by all officers and staff – repeated twice during survey period</li> <li>• All staff email to OPFCC</li> <li>• News item on Northamptonshire Fire and Rescue Service intranet for Firefighters and staff – repeated twice during the survey period</li> <li>• Daily Orders – link to item on Forcenet directing police staff to survey</li> <li>• Chief Officer Vlogs in both Northamptonshire Police and Northamptonshire Fire and Rescue Service</li> <li>• Message and link displayed on December payslip and portal for Northamptonshire Police officers and staff and Northamptonshire Fire and Rescue Service Firefighters and staff, and OPFCC staff</li> <li>• Splash screen survey message on every computer across OPFCC, Fire and Police</li> <li>• Repeated messaging during bi-weekly Pacesetter meetings for senior firefighters with</li> </ul>	<p>The survey potentially reached over 2,500 people (including police officers, firefighters, staff, and volunteers), with a request that they further cascade.</p>

<p>requests to cascade through the Fire Community Risk Group (CRG)</p>	
<p><b>Key Internal Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Northamptonshire Police Chief Officers</li> <li>• Northamptonshire Fire and Rescue Service (NFRS) Senior Fire Officers</li> <li>• Directors in the Office of the Police, Fire and Crime Commissioner (OPFCC)</li> <li>• OPFCC Customer Service team</li> <li>• Police Federation</li> <li>• Unison</li> <li>• Police Superintendents' Association</li> <li>• Voice</li> </ul>	<p>Email request to cascade to their members/contacts</p>
<p><b>Mainstream media</b></p> <ul style="list-style-type: none"> <li>• A news release was issued to all local and regional media across Northamptonshire.</li> <li>• News release was sent to hyper local publications.</li> <li>• The survey was trailed in the December edition of the PFCC newsletter.</li> <li>• Further targeted news release to areas where response rate had been lower.</li> </ul>	<p>The news release went to over 60 newsrooms (print and broadcast including the Northampton Chronicle and Echo and BBC Radio Northampton), plus individual reporters and other local news sites.</p> <p>Coverage on Northampton Chronicle, Northamptonshire Telegraph and Daventry Express on December 12.</p> <p>A further targeted news release to encourage more residents in Wellingborough and Corby to fill in the survey was sent to Northamptonshire Telegraph and published on January 9.</p>
<p><b>Digital and Social</b></p> <p>X (formerly Twitter) OPFCC account (native)</p> <p>X (formerly Twitter) NFRS account</p>	<p>34,380 impressions 520 engagements</p> <p>2,748 impressions 32 engagements</p>

Meta (Facebook/Instagram) account native	12,931 impressions 37 engagements
Meta adverts including Facebook (paid, £72.07)	10,375 reach
Google ads including YouTube (paid, £75.70)	479 impressions 29 engagements
OPFCC & Fire Website views - 4 different pages / news stories	745 hits
LinkedIn – OPFCC and NFRS	185 impressions
Northamptonshire Talking (formerly Neighbourhood Alert) for OPFCC	37,668 emails read 1,471 clicks to survey
Next Door	90,340 reach

#### **Future consideration: WNC and NNC council tax survey**

Both West and North Northamptonshire Council also consulted on their council tax at the same time as the Commissioner is consulting on his precept.

We are actively engaging with our colleagues in the unitary authorities to see how we can work together more effectively to maximise the opportunity for residents to have their say and increase the numbers who respond still further.

The full report will be published on the PFCC website when all the analysis has been completed.

## Appendix B

### Medium Term Financial Plan 2024/25 - 2028/29

		<i>MTFP - 2.99% Precept</i>				
2023/24 £'000		2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
17,052	Fire Fighters	18,484	19,471	20,165	20,757	21,103
2,900	Staff	3,068	3,145	3,225	3,298	3,372
94	Other Pension Costs	101	104	108	111	114
983	Other Employee Costs/Contingencies	1,371	1,382	1,394	1,406	1,416
1,559	Estates	2,088	1,944	1,986	2,024	2,089
1,699	ICT	1,911	2,012	2,150	2,191	2,212
536	Vehicles	609	622	634	679	889
899	Equipment and Clothing	1,001	1,021	1,027	1,034	1,041
797	Other Non-Pay	790	658	663	669	681
(1,016)	Income	(1,204)	(1,164)	(1,122)	(1,081)	(1,105)
3,484	Governance/Support Services	3,920	3,918	4,055	4,138	4,221
<b>28,987</b>	<b>OPERATIONAL BUDGET</b>	<b>32,139</b>	<b>33,113</b>	<b>34,285</b>	<b>35,226</b>	<b>36,033</b>
384	Capital Financing - MRP	259	370	426	521	609
60	Capital Financing - Interest	59	86	93	98	103
-	Capital Financing - RCCO	300	300	300	300	300
120	Inflation contingency	120	124	128	132	136
525	Transfer to Reserves	119	100	100	100	100
(518)	Transfer from Reserves	(184)	-	-	-	-
<b>571</b>	<b>OTHER (Budgets managed by the OPFCC)</b>	<b>673</b>	<b>980</b>	<b>1,047</b>	<b>1,151</b>	<b>1,248</b>
-	New Investment Proposals	126	130	132	135	138
-	Efficiencies to be identified	(329)	(665)	(665)	(665)	(665)
-	Efficiencies already identified	(1,155)	(866)	(888)	(935)	(951)
<b>29,558</b>	<b>TOTAL</b>	<b>31,454</b>	<b>32,692</b>	<b>33,911</b>	<b>34,912</b>	<b>35,803</b>

PTO

**FUNDING**

(2,563)	Top Up Grant	(2,665)	(2,692)	(2,719)	(2,746)	(2,773)
(1,186)	Pension Grant		-	-	-	-
(2,587)	Revenue Support Grant	(3,944)	(3,984)	(4,024)	(4,064)	(4,105)
(3,039)	Business Rates	(3,686)	(3,760)	(3,835)	(3,912)	(3,990)
-	Funding Guarantee	(231)	(231)	(231)	(231)	(231)
(954)	S31 Grant - Compensation	(1,089)	(1,089)	(1,089)	(1,089)	(1,089)
(210)	Services Grant	(34)	-	-	-	-
(18,764)	Precept	(19,489)	(20,175)	(20,885)	(21,620)	(22,381)
(255)	Collection Fund (Surplus)/Deficit	(315)	(92)	(92)	(92)	(92)

<b>(29,558)</b>	<b>TOTAL FUNDING</b>	<b>(31,454)</b>	<b>(32,023)</b>	<b>(32,875)</b>	<b>(33,754)</b>	<b>(34,661)</b>
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-	<b>FUNDING (SURPLUS) / DEFICIT</b>	<b>0</b>	<b>669</b>	<b>1,036</b>	<b>1,158</b>	<b>1,142</b>
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**PRECEPT**

£73.20	Band D Council Tax	£75.39	£76.89	£78.42	£79.98	£81.57
256,339.80	Total	258,511.60	262,389.28	266,325.12	270,320.00	274,374.80

**ASSUMPTIONS**

Other Grants	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue Support Grant	4.54%	1.00%	1.00%	1.00%	1.00%
Business Rates	10.10%	2.00%	2.00%	2.00%	2.00%
Precept (%)	2.99%	1.99%	1.99%	1.99%	1.99%
Precept (£)	£2.19	£1.50	£1.53	£1.56	£1.59
Tax Base Increase	0.85%	1.50%	1.50%	1.50%	1.50%
Pay Awards	3.00%	2.00%	2.00%	2.00%	1.00%
Inflation Contingency	1.00%	1.00%	1.00%	1.00%	1.00%

*Note: Totals may not sum due to rounding*

## Appendix C

### Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Fire and Rescue Authority:

*"I have worked closely with the Force S151 Officer and the Joint Finance Team and have been assured by their robust and diligent approach to the 2024/25 budget setting process. I am grateful for their hard work, scrutiny and challenge throughout, and am impressed by how they continue to take ownership and make improvements every year.*

*I have been fully briefed on the progress of the budget by Enabling Services colleagues prior to and throughout the budget process and development of the capital programme, ensuring I have been party to all key assumptions and decisions. Prudent evidence-based estimates and assumptions included have been based on professional estimates, peer knowledge and benchmarking. Where possible, I have aligned these with national Fire, Police, local authority and national technical team colleagues.*

*I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have sought and received authorisations from billing authorities in relation to taxbase and Council Tax surplus/deficits and I am grateful to all partners for their support in doing so.*

*The PFCC's precept intention of 2.99% takes into account public consultation alongside prudent assumptions based on the best information available, the MTFP and the reserves position, and still enables an element to be ring-fenced for investment.*

*The Chief Fire Officer and his Executive team have been fully involved in the budget discussions and have worked hard to propose a balanced budget for 2024/25 to the PFCC. I am grateful for their engagement and commitment in this process.*

*It is my recommendation that financially it is essential to take forward the 2.99% precept flexibility afforded to Northamptonshire for 2024/25. This will be built into the base budget and help provide a resilient position for the medium term. Whilst Northamptonshire Fire will still be funded relatively lower than its national peers, its revenue budget for 2024/25 will be substantially higher than that transferred at the time of the governance change, and is supported by a currently adequate level of reserves and a funded capital programme.*

*However, the new Chief Fire Officer will need to review their operational requirements and it is possible that essential and transformative investment will be required. These will be built into plans and strategies as the work progresses. Furthermore, there are still efficiency savings needed to ensure the budget is balanced and any investment requirements will need to be considered within the medium term financial plan. It is essential that significant operational changes and investment proposals are fully costed and considered prior to implementation to consider affordability and the*

wider impact of any decisions. I will continue to work with the Chief Fire Officer and Joint Finance Team to ensure this is undertaken.

Although the capital programme is approved and funded, with some transformation included, given the legacy investments within it, it is still a significant value, especially with regard to short life assets. Therefore, there is an impact of both deliverability and financial cost on the revenue budget. Whilst the costs are included within the MTFP, any changes in specifications or slippage in timescales can have an impact and could affect the deliverability of other priorities within the programme.

Consequently, it is essential that disposals and activities are undertaken in a timely manner to enable benefits and savings to be realised. I am assured by the arrangements put in place that the programme is regularly reviewed. Under the oversight of the Assistant Joint Chief Officer for Enabling Services, proposed expenditure is taken forward on the basis of evidence based business cases and that delivery timescales are realistic, in full recognition of other competing priorities. The capital programme is based on approved investments and best professional assumptions of realistic delivery timescales. When the Estates Masterplan is completed, the capital programme will be updated and the cost implications considered as part of the MTFP.

I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have sought and received information from both Unitary authorities in relation to taxbase and Council Tax deficits and I am grateful to all partners for their support in doing so.

I have highlighted some uncertainties within this report and the PFCC is aware of these and their potential impact and as such has ring-fenced contingencies within the revenue budget to mitigate risk. The PFCC currently has adequate levels of general and earmarked to mitigate any in year or medium term risks and unforeseen financial pressures.

I conclude, therefore, that the budget for 2023/24:

1. Has been prepared on a robust basis.
2. In 2024/25, the budget is balanced with agreed efficiencies which have been identified by the Chief Fire Officer and built into the budget.
3. General reserves are currently adequate and sufficient to meet essential risks and challenges. If possible, general and earmarked reserves will continue to be built where it is appropriate and prudent to do so.
4. The Fire revenue budget and reserves are now more resilient, and it is important that the budget is managed within the funding envelope each year and earmarked reserves are used where appropriate to support unforeseen issues or additional investment, not to balance the annual budget.



5. *The future financial landscape is uncertain and whilst the MTFP is balanced for three years, it does require the identified efficiencies to be taken forward. The MTFP will continue to be kept under regular review as the efficiency savings plan progresses.”*

**Vaughan Ashcroft**  
**Section 151 and Chief Finance Officer**  
**Northamptonshire Commissioner Fire and Rescue Authority**

## Appendix D Reserves Strategy



### **NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY RESERVES STRATEGY (REVISED JANUARY 2024)**

#### **1. Reserves Strategy**

- 1.1. Reserves are a key part of medium-term financial planning with other components including revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently, some organisations will need to maintain reserves at higher levels than others.
- 1.2. All publicly funded organisations should have a reserves strategy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3. The PFCC maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4. The term "reserves" has a variety of technical and everyday meanings, depending on the context in which it is used. In this strategy, it is taken to mean funds set-aside at the PFCC's discretion for general or specific future purposes.
- 1.5. Reserves are required to protect and enhance the financial viability and in particular:
  - To maintain a degree of in-year financial flexibility.
  - To enable the PFCC to deal with unforeseen circumstances and incidents.
  - To set aside monies to fund major developments in future years.
  - To enable the PFCC to invest to transform and achieve improved service effectiveness and efficiency.
  - To set aside sums for known and potential liabilities.

- To provide an operational contingency at service level.

1.6. Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term. However, they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA Bulletin 13 – Local Authority Reserves and Balances (Updated) published March 2023 states:

“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term.”

- 1.7. The Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) was established on the 1 January 2019 with no transfer of reserves agreed as part of the business case. As such, a three year financial stability period was set to establish a more stable budget position, supported by a sufficient level of reserves.
- 1.8. Tight financial planning, together with assistance from the Home Office has enabled a sufficient reserves position to be sufficient currently. However, work on the budget and Medium-Term Financial Plan has identified that the financial risks from inflation and other pressures are still forecast to be higher than funding available to the service. Despite annual efficiency targets, funding deficits are identified in future years.
- 1.9. The reserves strategy assumes that the Medium-Term Financial Plan (MTFP) is broadly balanced on a sustainable basis across the five year planning period. If the financial impact of current economic conditions continues to impact on taxbase and council tax levels over the medium term, then this could impact on those assumptions.
- 1.10. This is recognised as a risk as when taking into account the projected shortfalls on the MTFP where savings will need to be achieved to facilitate balancing budgets in future years.
- 1.11. If savings cannot bridge the full gap, based on current estimates, as a worst case scenario, revenue reserves can balance the gap over the five year MTFP, but this would use almost all available reserves and would impact funding available for investment.
- 1.12. Due to the lack of investment by Northamptonshire County Council over many years, NCFRA have a significant Capital programme requirement. This is continually reviewed to ensure it is both operationally deliverable and affordable. Previously, the PFCC made successful representation to the Home Office and obtained £0.5m funding to support historic capital programme investment.
- 1.13. Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.

## **2. National Guidance and Compliance with Home Office Guidance on Police Reserves**

- 2.1. The CIPFA Bulletin includes guidance on the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken into account locally in making an assessment of the appropriate level of reserves and balances to be held.
- 2.2. On 31 March 2018, the Minister for Policing and the Fire Service published new guidance on the information that each PFCC must publish in terms of police reserves which is still relevant today. This guidance has been adopted for NCFRA to ensure consistency across PFCC governed Fire and Police services in Northamptonshire. The NCFRA reserves strategy is published annually on the PFCC website.
- 2.3. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
  - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
  - Funding for specific projects and programmes beyond the current planning period.
  - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.
- 2.4. This information is summarised across the Home Office headings as at 31/3/24, together with the proposed use of the reserves held at that date as follows:

Reserve	Forecast Balance as at 31/3/2024	Funding for planned expenditure on projects and programmes over the MTFP (24/25-28/29)	Total Forecast Revenue and Capital Reserves as at 31 March 2029	Funding for specific projects and programmes beyond the current planning period	As a general contingency to meet other expenditure needs
	£m	£m	£m	£m	£m
<b>General</b>	<b>2.000</b>		<b>2.000</b>		<b>2.000</b>
<b>Earmarked Revenue:</b>					
Insurance	<b>0.250</b>		<b>0.250</b>		<b>0.250</b>
Operational Equipment	<b>0.070</b>	0.340	<b>0.410</b>		<b>0.410</b>
Carry Forwards	<b>0.012</b>	(0.012)	<b>0.000</b>		<b>0.000</b>
Smoothing	<b>0.977</b>	(0.747)	<b>0.230</b>		<b>0.230</b>
Transformation	<b>1.000</b>		<b>1.000</b>	(1.000)	<b>0.000</b>
<b>Total Earmarked</b>	<b>2.309</b>	<b>(0.419)</b>	<b>1.890</b>	<b>(1.000)</b>	<b>0.890</b>
<b>Total Revenue</b>	<b>4.309</b>	<b>(0.419)</b>	<b>3.890</b>	<b>(1.000)</b>	<b>2.890</b>
<b>Capital:</b>					
Capital Receipts	<b>0.442</b>	(0.400)	<b>0.042</b>	(0.042)	<b>0.000</b>
Capital and ESN Reserve	<b>0.063</b>		<b>0.063</b>	(0.063)	<b>0.000</b>
S106 Developer Contributions	<b>0.000</b>		<b>0.000</b>		<b>0.000</b>
Capital Grants Unapplied	<b>0.417</b>		<b>0.417</b>	(0.417)	<b>0.000</b>
<b>Total Capital</b>	<b>0.922</b>	<b>(0.400)</b>	<b>0.522</b>	<b>(0.522)</b>	<b>0.000</b>
<b>Total Reserves</b>	<b>5.231</b>	<b>(0.819)</b>	<b>4.412</b>	<b>(1.522)</b>	<b>2.890</b>

*Note: numbers may not sum due to rounding*

- 2.5. Once the Chief Fire Officer has completed their consideration of the operational requirements of the service, plans will be put in place to drawdown from the transformation reserve, which was set aside for this purpose.
- 2.6. Given the adequate but low level of revenue reserves held by NCFRA, the above table reflects the strategy intention to maintain them at a relatively stable level. However, it is acknowledged that this will be reduced once the Chief Fire Officer's plans take shape.
- 2.7. Capital reserves will be used to ensure that the capital programme is funded in the most appropriate and prudent manner.

### 3. General Reserve

3.1. In order to assess the adequacy of the unallocated general reserve when setting the budget, the PFCC, on the advice of the two Chief Finance Officers, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.

3.2. Whilst there is no prescribed level of reserves that PFCCs should hold; it is influenced by individual discretion, local circumstances, advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

*“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority.”*

3.3. However, the minimum level of reserves may be set for the authority by the Ministers in England and Wales where an authority does not act prudently, disregards the advice of its chief finance officer or is heading for financial difficulties.

3.4. CIPFA indicate a minimum general reserve level is typically between 2% and 3% of net budget requirement.

3.5. In Policing, average general reserves are around 5%. However, in Fire, there are even higher levels of general and earmarked reserves held. Home Office publications in recent years reflect that despite progress in building reserves, NCFRA still have the lowest level of reserves per core spending power across all Fire and Rescue Authorities in England and Wales.

3.6. In December 2022, prior to the provisional Local Government Settlement, the Department of Levelling Up, Housing and Communities (DLUHC) issued a policy statement. The statement included specific mention of the level of reserves built up during the pandemic and which applies to Fire and Police as follows:

*“The government notes the significant increase in some local authority reserves over the 2 years of the pandemic. We encourage local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils’ financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their local authorities are holding and what they are used for, we will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn Statistics. We will consult with trusted partners, including the Local Government Association, about doing this”.*

- 3.7. The PFCC has considered his reserves strategy and wishes to hold a sufficient but not excessive level of reserves. In determining this position, Annexe 1 outlines how the PFCC complies with the 7 key CIPFA principles which can be used to assess the adequacy of reserves.
- 3.8. NCFRA have also considered the following factors:
- NCFRA are required to meet the first 1% of any special grant requirement.
  - NCFRA was established without the transfer of any reserves.
  - Local funding accounts for some 75% of NCFRA’s funding streams, which can be affected by local taxpayers and business’ ability to pay and can subject to volatility.
- 3.9. Given the above, it remains prudent to hold reserves at a reasonable level to provide a realistic and comfortable buffer to meet any eventualities, and to mitigate against any unplanned in-year changes being required. It is, therefore, imperative that the General Reserve is held at a sufficient level to mitigate such financial risks alongside any earmarked reserves.
- 3.10. The Chief Finance Officer advises that it would be prudent to maintain a sustainable and resilient level of general reserves at £2.0m or 5% (whichever is the higher).
- 3.11. The general reserve also holds the financial risk of any potential industrial action requirements should they arise.
- 3.12. At present, there are no plans to use the general reserve during the period of the MTFP. They are currently stabilised above 5% of revenue budget in each year of the MTFP as follows:

Year	£m	%
2024/25	<b>2.000</b>	6.4%
2025/26	<b>2.000</b>	6.2%
2026/27	<b>2.000</b>	6.1%
2027/28	<b>2.000</b>	5.9%
2028/29	<b>2.000</b>	5.8%

#### 4. Earmarked Reserves

- 4.1. In addition to the general reserve, the PFCC holds a number of reserves which are earmarked for specific purposes.
- 4.2. At the 31/3/2024, it is estimated that the PFCC will hold £3.231m for Fire in earmarked reserves. The predicted position for each earmarked reserve as at 31/3/2024, together with further details is attached in Annexe 2 and 3.
- 4.3. The purposes of the different earmarked reserves are as follows:

- **Insurance** – To hold funds set aside where considered prudent for civil claims (Public and Employer liability) in line with professional advice.
- **Operational Equipment** – Given the age and condition of equipment transferred as part of the governance transfer, an annual operational equipment reserve contribution was established to smooth the impact and mitigate the costs of essential operational equipment replacement.
- **Carry Forwards** – To hold previous years underspends which are ring-fenced and carried forward for specific purposes in the medium term.
- **Smoothing** – To enable the savings generated to be earmarked and released over future years as needed, smoothing the impact of uncertain variations and timing of savings programmes on the revenue budget.
- **Transformation** – To support initiatives and transformative activities such as investments in technology and other innovation, and in line with operational priorities.
- **Capital Receipts** – To earmark receipts for disposal of capital assets for use as deemed appropriate to minimise the cost of future capital financing.
- **Capital and ESN Reserve** – To hold amounts set aside for capital investment, applied to the capital programme as deemed appropriate to minimise the cost of future capital financing.
- **Developer Contributions (S106)** – To collect the drawn down developer contributions awarded to the PFCC in line with S106 planning arrangements. These funds will be released in accordance with the terms of the agreements, usually to fund capital expenditure. The reserve only accounts for funds once they have been drawn down.
- **Capital Grants Unapplied** – To hold amounts grants received for specific capital investment, to be applied to the capital programme in line with the grant terms and as deemed appropriate to minimise the cost of future capital financing.

4.4. The forecast balance on the reserves, taking into account a prudent estimate of timings for proposals which are currently being developed is detailed within Annexe 2.

4.5. These reserves will be reviewed on a regular basis and any further opportunities to set aside earmarked reserves to support targeted expenditure and investment will be taken where appropriate.

## 5. Provisions

5.1. The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). A provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance, the Force hold an established 'Insurance Provision' which is reviewed as part of the closedown process for each year.



## **6. Procedures for management and control**

- 6.1. Any drawdown from reserves is subject to the approval of the PFCC, on advice from the PFCC's Chief Finance Officer (OPFCC CFO); or under the delegated authority of the OPFCC CFO.
- 6.2. The Local Government Act 2003 requires the S151 officer to report annually on the adequacy of the reserves and this is included within the statement on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves.
- 6.3. The Strategy will be reviewed annually by the OPFCC CFO as part of the Budget and Precept process.

## Annexe 1

### NCFRA - Compliance with the 7 Key CIPFA Principles to assess the adequacy of reserves

<b>Budget Assumptions (CIPFA Principles)</b>	<b>2024/25 Situation in Northamptonshire</b>
<b>The treatment of inflation and interest rates</b>	<p>NCFRA makes full and appropriate provision for pay and price increases, informed by benchmarking with peers.</p> <p>There are also pay and inflation contingencies held in the Fire budgets to mitigate such eventualities.</p> <p>An informed assessment is made in the Treasury Management Strategy of interest rate movements.</p> <p>All income and expenditure in the budget is prepared and published at outturn prices.</p>
<b>Estimates of the level and timing of capital receipts</b>	<p>NCFRA has reviewed its estates strategy as a fundamental part of the capital programme and has made assumptions of future capital receipts.</p> <p>The capital programme considerations require significant investment and until this has been concluded, only essential capital investment has been approved.</p> <p>The achievement of capital receipts in line with the proposed timings is essential to ensuring that prioritised capital investments can be progressed.</p>
<b>The treatment of demand led pressures</b>	<p>NCFRA is required to operate and manage within its annual budget allocation.</p> <p>All budgets except firefighters are devolved and managed by trained budget holders.</p> <p>On an exceptional basis, agreement of the PFCC is given to utilise carry forwards to meet one off demand led pressures.</p> <p>Demand led pressures are scrutinised and built into the budget on zero based budget principles. An agreed budget for Fire is set by the PFCC.</p>

	<p>The PFCC is keen to ensure that NCFRA continue to identify efficiencies where it makes sense to do so, and an efficiency target is set as part of the budget and MTFP and detailed within the annual strategic outcomes agreed with the Chief Fire Officer.</p> <p>Depending on funding availability, the PFCC has and will continue to support investment in areas that reduce demand, or which increase efficiency/capacity to deal with demand.</p> <p>General reserves are used as a last resort to manage and fund demand led pressures.</p>
<p><b>The treatment of Planned Efficiency Savings/Productivity Gains</b></p>	<p>NCFRA met all financial savings and challenges required by NCC in previous years.</p> <p>In the years post transfer, NCFRA has underspent each year and used the opportunity to increase reserves as a result. Each financial year is more challenging, but it is forecast the budget will be balanced with a minimal use of reserves.</p> <p>There is a savings plan aligned to the MTFP and any identified savings and efficiencies from service or governance transfers will be monitored and reviewed regularly by the service and are only included as achieved in budgets when confirmed and verified.</p>
<p><b>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments.</b></p>	<p>The financial consequences of partnership collaboration working, outsourcing arrangements or capital investment will be reported to the PFCC as part of the medium term planning process. Where relevant, any additional costs are incorporated into the annual revenue budget and/or capital programme.</p> <p>There is a risk that partners will withdraw funding as their own budgets are squeezed, or that the continued viability of private sector commercial partners will be exposed to risk in the face of an economic recession.</p>

<p><b>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</b></p>	<p>NCFRA have built up appropriate reserves from a zero base to build a stable range earmarked reserves and provisions to meet specific expenditure items. Their use and balances are detailed in the attached annexe.</p> <p>NCFRA maintain an insurance provision, the adequacy of which is reviewed and monitored in detail by the legal services insurance advisors.</p> <p>NCFRA continue to build a general reserve to cover any major unforeseen circumstances, supported by earmarked reserves where appropriate to meet targeted investment in a planned manner which does not disproportionately impact on the revenue budget each year.</p>
<p><b>The general financial climate to which the Authority is subject</b></p>	<p>It is anticipated that the financial climate will continue to be challenging and the medium-term financial plan reflects the “best estimate” of future inflation rates and increases in government grants and contributions.</p> <p>The Commercial team keep the authority updated on matters/risks affecting large contracts and supply chain.</p> <p>The MTFP will be regularly reviewed and updated to support operational decision making.</p>

Annexe 2

**RESERVES OF THE NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY  
2024/25 to 2028/29**

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Risk If Reserve Not Held</b>	<b>Management and control</b>	<b>Review</b>
<b>GENERAL RESERVE</b>	<p>To maintain a degree of in-year financial flexibility</p> <p>To enable NCFRA to deal with unforeseen circumstances and incidents.</p> <p>To manage and meet financial risks of any industrial action requirements.</p> <p>To set aside sums for known and potential liabilities.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of revenue over a medium term financial period.</p> <p>To allow higher spending without raising council tax on a one-off basis.</p>	<p>To maintain a sustainable level of £2.0m of 5% (whichever is the higher)</p>	<p>The general reserve is held at a level which reflects risk, uncertainties and volatility.</p> <p>If no reserve is held there may be insufficient resources available for major catastrophe, which could jeopardise financial status and reputation of NCFRA.</p> <p>The PFCC would have recourse to discretionary special grant if costs exceed 1% of budget or CLG Bellwin scheme for natural disasters.</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>Annual</p>
<b>EARMARKED - INSURANCE</b>	<p>To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.</p>	<p>Balance will increase or reduce annually dependent on the NCFRA outstanding claims record. Established in 2018/19 following advice from legal service advisors.</p> <p>Level of reserve reviewed annually with the legal services advisers.</p>	<p>Will vary according to annual risk assessment.</p>	<p>The reserve is held to cover potential uninsured risks.</p> <p>If no reserve is held the NCFRA is potentially open to significant excess and claims payments in year beyond available revenue budgets which would fall on the general reserve.</p> <p>Assessment by insurers needs to be realistic not unduly pessimistic.</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>Annual</p>

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Risk If Reserve Not Held</b>	<b>Management and control</b>	<b>Review</b>
<b>EARMARKED - OPERATIONAL EQUIPMENT</b>	To smooth the impact of operational equipment purchases on the revenue budget	To access the funds a costed request has to be provided.	Will vary according to usage and annual risk assessment.	<p>The reserve is held to smooth the impact of operational equipment replacement rather than have significant variations in the budget.</p> <p>If no reserve is held, the risk is that equipment would have to be replaced from the current year's budget or capital programme.</p>	PFCC, on advice from PFCC CFO	Annual
<b>EARMARKED – CARRY FORWARDS</b>	For an underspend in one financial year to be set aside and ring fenced to meet any one off unbudgeted costs or new initiatives in a future year.	Balance will increase or reduce annually dependent on the workforce planning requirements.	Will vary according to year end outturn and usage.	Establishing a reserve enables an incentive and opportunity to utilise year end underspends in a manner which will provide additionality or benefit for the service in future years, rather than finding resources from in-year or reserves.	PFCC, on advice from PFCC CFO	Annual
<b>EARMARKED – SMOOTHING</b>	<p>To smooth the impact of fluctuations in the funding receipts from council tax and business rates as Business Rate levels are determined after the budget has been set.</p> <p>To collect efficiency savings realised to smooth the impact on future years budgets.</p> <p>To smooth the impact of budget fluctuations.</p>	Balance will increase or decrease annually, dependent on council tax and business rate receipts.	Will vary according to annual risk assessment.	<p>The reserve is held to receive any funding received in excess of the budget set and to utilise to ensure any variations are smoothed where appropriate.</p> <p>If no reserve is held, NCFRA are required to balance the budget through savings, contingencies and reserves.</p> <p>This reserve enables short term fluctuations to be managed more smoothly.</p>	PFCC, on advice from PFCC CFO	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Risk If Reserve Not Held</b>	<b>Management and control</b>	<b>Review</b>
<b>EARMARKED - TRANSFORMATION</b>	To build and maintain a reserve sufficient to support invest to save initiatives and provide initial funding to set up transformational activities.	To undertake initiatives and transformation without needing to use the annual operational budget.	Will vary according to activities.	<p>The reserve is held to support the cost of transformation and investment without utilising the general reserve.</p> <p>If no reserve is held, PFCC could find it difficult to invest in transformational activities or savings would have to be made from operational budgets before any initiatives could be undertaken.</p> <p>If no funds were available, it may be that innovative activity is hindered.</p>	PFCC, on advice from PFCC CFO	Annual
<b>EARMARKED - CAPITAL RECEIPTS</b>	From sales of equipment above the capital de-minimis level and used to support the capital programme funding requirements.	Used to support funding the capital programme to minimise the cost of external borrowing on NCFRA and the taxpayer.	Will vary according to activities.	<p>The reserve is held when equipment over a certain value is sold.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	PFCC, on advice from PFCC CFO	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Risk If Reserve Not Held</b>	<b>Management and control</b>	<b>Review</b>
<b>EARMARKED - ESN AND CAPITAL RESERVE</b>	To meet the costs of ESN and other capital requirements to support the funding of the capital programme.	Used to support funding the capital programme to minimise the cost of external borrowing on NCFRA and the taxpayer.	Will vary according to activities.	<p>The reserve is held from specific ESN funding or revenue underspends in previous years set aside to meet the revenue costs of capital expenditure.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	PFCC, on advice from PFCC CFO	Annual
<b>EARMARKED - DEVELOPER CONTRIBUTIONS (S106)</b>	To meet the additional infrastructure and other requirements of new developments.	To implement new infrastructure required as a result of developments without needing to use the annual operational budget.	Will vary according to activities.	<p>The reserve is held for funds allocated to NCFRA from developers towards the cost of NCFRA infrastructure developments.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	PFCC, on advice from PFCC CFO	Annual
<b>EARMARKED - CAPITAL GRANTS UNAPPLIED</b>	Unapplied grants brought forward from the Governance Transfer with Northamptonshire County Council and additional one off grant received from the Home Office.	Used to support funding in accordance with the grant requirements to minimise the cost of external borrowing on NCFRA and the taxpayer if purchased from capital.	Will vary according to activities.	<p>The reserve is held for grants awarded for a specific capital purpose.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	PFCC, on advice from PFCC CFO	Annual



## Annexe 3

## Summary of Reserves 2023/24 to 2028/2029

	Forecast Balance at 31 March 2024 £m	Forecast Balance at 31 March 2025 £m	Forecast Balance at 31 March 2026 £m	Forecast Balance at 31 March 2027 £m	Forecast Balance at 31 March 2028 £m	Forecast Balance at 31 March 2029 £m
<b><u>Held to meet budgetary risks</u></b>						
Insurance	0.250	0.250	0.250	0.250	0.250	0.250
Operational Equipment	0.070	0.110	0.210	0.310	0.410	0.410
	<b>0.320</b>	<b>0.360</b>	<b>0.460</b>	<b>0.560</b>	<b>0.660</b>	<b>0.660</b>
<b><u>Held to support the medium term budget</u></b>						
Carry Forwards	0.012	0.000	0.000	0.000	0.000	0.000
Smoothing Reserve	0.977	0.230	0.230	0.230	0.230	0.230
	<b>0.989</b>	<b>0.230</b>	<b>0.230</b>	<b>0.230</b>	<b>0.230</b>	<b>0.230</b>
<b><u>Held to facilitate change programmes</u></b>						
Transformation Reserve	1.000	1.000	1.000	1.000	1.000	1.000
	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b><u>Committed to future capital programmes</u></b>						
Capital Receipts	0.442	0.042	0.042	0.042	0.042	0.042
Capital and ESN Reserve	0.063	0.063	0.063	0.063	0.063	0.063
S106 Developer Contributions	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants Unapplied	0.417	0.417	0.417	0.417	0.417	0.417
	<b>0.922</b>	<b>0.522</b>	<b>0.522</b>	<b>0.522</b>	<b>0.522</b>	<b>0.522</b>
<b>Total Earmarked Reserves</b>	<b>3.231</b>	<b>2.112</b>	<b>2.212</b>	<b>2.312</b>	<b>2.412</b>	<b>2.412</b>
General Fund	2.000	2.000	2.000	2.000	2.000	2.000
<b>Total Reserves</b>	<b>5.231</b>	<b>4.112</b>	<b>4.212</b>	<b>4.312</b>	<b>4.412</b>	<b>4.412</b>